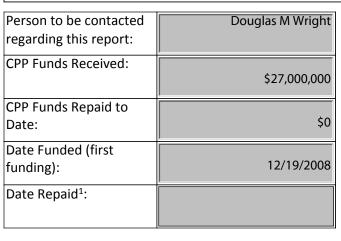
## **ANNUAL USE OF CAPITAL SURVEY - 2009**

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

## Intermountain Community Bancorp



RSSD:
(For Bank Holding Companies)

Holding Company Docket Number:
(For Thrift Holding Companies)

FDIC Certificate Number:
(For Depository Institutions)

City:

Sandpoint

State:

Idaho

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

^	than otherwise would have occurred.	this total declined from the prior year, it still represents a substantial commitment to the market. It's estimated that CPP capital supported \$270 million in lending activity based on 10x leverage.
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<sup>&</sup>lt;sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

	To the extent the funds supported	
	increased lending, please describe the	
	major type of loans, if possible	
	(residential mortgage loans, commercial	
	mortgage loans, small business loans,	
	etc.).	
	,	
$\overline{X}$		Investments in mortgage-backed securities and collateralized mortgage obligations increased by
	etc.).	\$41.6 million during 2009. Given the difficult local lending market, the Company deployed funds
		into these securities, which added liquidity to the mortgage market and helped maintain low rates.
	Make other investments	
	I Wake other investments	
	Increase reserves for non-performing	
	assets	

	Reduce borrowings	
X	Increase charge-offs	Facing the most challenging credit market in decades, IMCB worked proactively with borrowers and third parties to resolve and/or liquidate problem credits expeditiously. The CPP capital provided IMCB additional flexibility to improve its management and resolution of these credits.
	Purchase another financial institution or purchase assets from another financial institution	
	Held as non-leveraged increase to total capital	

With the capital infusion of CPP funds, IMCB was primarily able to avoid the following two conditions:  (1) A more significant reduction in new loan originations. As noted above, IMCB originated about \$384 million in loans in 2009 or about 57% of its 2009 ending loan balance. Lower total originations from the prior year reflected a combination of lower borrower demand, extreme softness in real estate markets leading to very limited construction and development loan origination, and prudent underwriting standards in a high-risk environment. Given the overall higher bank capital levels required by market and regulatory conditions during 2009, an estimated \$270 million of total origination activity was supported by CPP funds. In particular, IMCB originated \$170 million in commercial and agricultural loans to small and mid-size businesses in our market areas, and \$108 million in first and second lien residential real estate loans to local consumers. In doing so, it supported numerous businesses and farmers in the rural communities in which it operates. It also provided funding for consumers to purchase, remodel or refinance their homes at a time when real estate prices and mortgage rates were particularly attractive.  (2) An overall substantial reduction in IMCB's balance sheet, which would have forced the Company to reduce service to many of its deposit and loan customers. Given the Bank's significant market presence in the rural Idaho, Oregon and Eastern Washington communities in which it operates (25 to 50% market share in many of its counties), this would have negatively impacted both these customers and our local communities. To maintain a similar equity to asset ratio of 8.2% at year end 2009 without CPP funds would have required IMCB to reduce its balance sheet by about \$309 million. With many of its competitors stressed by difficult economic conditions, this type of reduction would have reduced both deposit and lending options for many customers, and resulted in a net reduction in banking service in IMCB's

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.
With strong continued deposit growth and lower loan demand, the Company was able to expand its portfolio of mortgage-backed securities and collateralize mortgage obligations by \$41.6 million during 2009. Purchases of these securities helped to add liquidity to the residential mortgage market and keep mortgage rates low. In addition, CPP funds added directly and indirectly to the overall liquidity of IMCB, enhancing the stability of its balance sheet and providing additional safety to its depositors during a period of heightened market concerns. The \$27 million received boosted IMCB's funds directly by adding cash to the balance sheet, and indirectly, it supported the maintenance of higher levels of liquid assets.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.